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JUL 31 2007

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

INDIANA UTILITY
REGULATORY COMMISSION

PETITION OF INDIANA-AMERICAN)
 WATER COMPANY, INC. FOR)
 AUTHORITY TO INCREASE ITS RATES)
 AND CHARGES FOR WATER AND)
 SEWER SERVICE, FOR APPROVAL OF)
 NEW SCHEDULES OF RATES AND)
 CHARGES APPLICABLE THERETO,)
 AND FOR APPROVAL OF CERTAIN)
 TARIFF CHANGES TO IMPLEMENT A)
 TRACKING MECHANISM FOR)
 PURCHASED POWER COSTS)

CAUSE NO. 43187

STIPULATION AND SETTLEMENT AGREEMENT

The Indiana Office of Utility Consumer Counselor ("OUCC"), and Indiana-American Water Company, Inc. ("Company" or "Petitioner") (collectively, the "parties"), in the interest of efficiency and in order to consider a number of policy issues raised in the Company's and OUCC's testimonies, have devoted significant time to the review of data and discussion of issues, and have succeeded in reaching agreement in this proceeding and therefore stipulate and agree to the terms and conditions set forth below.

In this proceeding, this Stipulation follows the initial hearing on Petitioner's Case-In-Chief, the OUCC's and Intervenors' filing of testimony in response to the Company's case, and the Company's filing of rebuttal testimony. Those filings have framed the discussions between the parties, and formed the basis for the parties to reach agreement on the terms reflected in this Stipulation. A basic component of each party's willingness to enter this agreement is the overall result that is achieved hereby. The parties have both agreed to concessions on individual issues to which the parties would not be willing to agree but for the overall result produced by this Stipulation and

Settlement Agreement. In other words, each party is agreeing to forego or compromise on positions on individual issues in exchange for the overall result produced collectively by all of the concessions. As set forth in Appendices A, B and C, the parties have negotiated terms that resolve all issues related to the revenue requirement. With a few exceptions the agreed upon adjustments to pro forma results of operations, rate base and cost of capital either reflect the testimonial rebuttal position of the Company or the testimonial position of the OUCC, and thus are founded upon documented positions that are in the record in this proceeding. The parties have agreed that the OUCC's case-in-chief and the Company's rebuttal testimony will be submitted into the record in support of this Stipulation.

The parties stipulate and agree as follows:

1. Rate Increase.

Petitioner shall be authorized to increase its basic rates and charges (collectively "rates") for water and sewer utility service. The rates shall be designed to produce total annual operating revenues of \$157,229,608, and total annual operating revenues from rates subject to increase of \$155,738,483. The increase provides for additional annual revenues of \$14,029,219. The increase is calculated to produce total net operating income of \$36,806,402, which the parties stipulate is a fair return on the fair value of Petitioner's rate base for purposes of this case. This amount is calculated by multiplying the parties' stipulated weighted cost of capital of 7.29% times the parties' stipulated net original cost rate base of \$492,423,945 and then adding the product of the weighted cost of capital times the remaining balance (after amortization) of the

acquisition adjustment associated with the acquisition of Indiana Cities Water Corp., which is not reflected in Petitioner's net original cost rate base. The calculation is set forth in Appendix B. Based on additional revenues of \$14,029,219, the overall increase in revenues subject to increase is 9.9%. The increase shall be on an across-the-board basis.

The agreed-upon rate increase reflects the following original cost rate base, cost of capital and financial results (See Appendices A & B) which the Parties agree are reasonable for purposes of compromise and settlement:

Rate Base as of December, 2006 \$(000)

Utility Plant in Service	\$862,194
Less: Accumulated Depreciation	(229,303)
Net Utility Plant	632,891
Less: CIAC ¹	(74,134)
Less: Customer Advances	(68,082)
Less: Capacity Adj (Somerset)	(144)
Add: Materials and Supplies	1,140
Add: Acquisition Adjustment	<u>753</u>
Total	\$492,424

Capital Structure as of December 31, 2006 \$(000)

	Amount (\$000's)	Weight%	Cost	Weighted Cost
Common Equity	\$205,646	39.8119	10.00%	3.98%
Long Term Debt	249,784	48.3568	6.77%	3.27%
Preferred Stock	330	.0639	6.0%	0%
Cost Free Capital	58,585	11.3417	0.00%	0.00%
Post 1970 JDITC	<u>2,199</u>	<u>.4258</u>	8.22%	<u>0.04%</u>
	\$516,544	100		7.29%

¹ Contributions in Aid of Construction

**Pro Forma Proposed
Rates**

	\$(000's)
Operating Revenue	\$157,230
O&M	60,869
Depreciation/Amortization	25,928
Income Taxes	16,156
Other Taxes	17,471
Total Operating Expense	<u>\$120,424</u>
Net Operating Income	<u>\$36,806</u>

2. Resolution of Issues Impacting Rate Increase.

All the agreed upon adjustments are set forth in Appendix C. The Company's request following the hearing on the Company's case-in-chief was a rate increase of 18.10% and a total increase in operating revenues of \$25,691,468. The OUCC filed testimony contesting a number of the Company's proposed revenue and expense adjustments, rate base and cost of capital. As set forth in OUCC Schedule 1, the OUCC recommended a rate increase of 2.9352%. The Company responded in its rebuttal filing, supporting its original position on many of the disputed issues, objecting to many of the OUCC's positions, and also agreeing to some of the issues raised by the OUCC. The parties then negotiated the remaining pro forma differences, with the Company agreeing to decrease its overall rate request by \$11,662,249. Appendix C provides a comparison of the Company's proposed revenue requirement, as set forth in its original case-in-chief, to the OUCC's filed positions, and to the final negotiated Settlement amounts for each issue.

The material pro forma reductions as a result of both the Company's rebuttal and settlement concessions are discussed specifically below. While an explanation of these

individual adjustments is provided, the negotiated amounts represent agreements reached by the parties as part of the overall settlement package of terms.

a) Residential Customer Growth

The Company proposed an upward adjustment to revenues for residential customer growth of \$813,652, but did not include any volumetric usage associated with its customer growth adjustment. The OUCC adjustment for customer growth did include volumetric usage based on an average water use per bill resulting in a proposed upward adjustment of \$915,057. The OUCC also proposed upward adjustments to power costs, chemicals, and customer accounting related to its adjustment for residential customer growth. In its rebuttal, the Company opposed the OUCC's calculation. The Company contended that a volumetric adjustment is not fixed, known and measurable. For purposes of settlement, Petitioner has accepted the OUCC's adjustment.

b) Miscellaneous Revenue (Sewer Billing and Farm and Antenna Lease)

Petitioner provides sewer billing services for various municipalities where it provides service. In addition, Petitioner collects income associated with renting for agricultural purposes land that is in rate base and also associated with renting space on storage towers for various antennae (such as cellular antennae). Since Petitioner relies on rate based plant for which its customers pay rates calculated to produce a return on and of Petitioner's investment, the OUCC proposed to include all of these revenues as other operating revenues. The total revenue the OUCC included was \$1,161,000. In its rebuttal case, Petitioner provided testimony in opposition to the OUCC's proposed

accounting treatment. However, for purposes of settlement, Petitioner has agreed that revenues received in connection with sewer billing services and for farm and antennae lease rental will be recorded above-the-line as proposed by the OUCC. For purposes of future cases, see Paragraph 3 herein.

c) Labor and Labor Related Expense

In its original case-in-chief, the Company included \$2,706,819 in labor and labor related expense adjustments based upon the level of payroll and related expenses as of the end of the adjustment period. This number includes labor, group insurance (including post-retirement benefits other than pensions), pensions, 401(k), and payroll taxes. The OUCC proposed to eliminate \$1,164,403 of this expense based upon the Company's actual staff as of February 2007. In its rebuttal, the Company proposed to calculate the adjustment by eliminating expenses related to budgeted new positions not yet filled but including expenses associated with personnel actually on staff as of the end of May, 2007, and vacant positions which are not new positions. The Company's rebuttal calculation would include labor and labor related expenses associated with the actual employee headcount on staff as of May 31, 2007, as well as five existing positions that were temporarily vacant but had not yet been filled as of that date but for which recruitment was active. For purposes of settlement, the parties have agreed to the Company's proposed level of labor and related expenses as stated in its rebuttal case.

d) Incentive Pay

For purposes of incentive pay, the Company proposed an adjustment of \$112,210 from the test year level of \$202,663. This calculation was based upon the assumption that there would be a 100% payout. The OUCC contended that the payout should be based upon a three-year average payout percentage and proposed a pro forma incentive pay level that is \$81,452 less than the Company's request. In its rebuttal, the Company contended that the average should be a four-year average. For purposes of settlement, the parties have accepted the OUCC's calculation.

e) Misclassified Labor

The OUCC identified a number of expenses that it contended were improperly classified as labor expense. In its rebuttal, the Company accepted most of the OUCC's adjustment except for \$30,026. For purposes of settlement, the parties have agreed to the Company's rebuttal position.

f) Purchased Water

The Company proposed an adjustment to its purchased water expense of \$110,000 associated with a rate increase from the City of East Chicago. The OUCC disputed a portion of the adjustment and recalculated the proper adjustment to the Company's purchased water expense to be \$99,500. In its rebuttal, the Company accepted the OUCC's proposed adjustment. For purposes of settlement, the parties have agreed to the OUCC's position.

g) Purchased Power

The Company calculated an adjustment based upon increases to its power expense. The Company also proposed a “purchased power” tracking mechanism in this case. The Company’s position was that if the tracking mechanism were approved, there would be no adjustment for power expense. If the tracking mechanism were not approved, however, the Company proposed a power cost adjustment of \$167,820. The OUCC opposed the tracking mechanism and also opposed the purchased power adjustment as not being fixed, known and measurable. For purposes of settlement, the parties have agreed that \$93,986 of the original purchased power adjustment is fixed, known and measurable and so have included this amount in the adjustment. As to the purchased power tracking mechanism, see Paragraph 4 herein.

h) Waste Disposal Expense

The OUCC proposed to adjust waste disposal expense by eliminating \$158,139 in costs billed and paid during the test year by the Gary Sanitary District that were actually incurred in prior years. In its rebuttal, the Company accepted the OUCC’s adjustment. For purposes of settlement, the parties have agreed to the OUCC’s adjustment.

i) Support Services/Management Fees

Petitioner proposed as part of its adjustment for Support Services/Management Fees \$871,113 based upon new positions to be filled. In its testimony, Petitioner described these fees as being related to Sarbanes/Oxley (“SOX”) compliance. The OUCC opposed all but \$94,000 of this adjustment, which equaled the ongoing SOX costs the

OUCG contended had been supported. The OUCG opposed \$776,660 of Petitioner's proposed adjustment. In addition, the OUCG proposed to eliminate \$290,079 of one-time SOX compliance costs incurred during the test year. In its rebuttal, Petitioner accepted the elimination of the SOX compliance costs incurred during the test year (\$290,079) but opposed the balance of the OUCG's position. Petitioner explained that it had been in error when it described these costs as being SOX-related. Petitioner offered as an exhibit its workpapers filed in accordance with the Minimum Standard Filing Requirements ("MSFRs"), which explained and itemized the total adjustment. For purposes of settlement, the parties have agreed to include 50% of the difference between Petitioner's and the OUCG's position. The total adjustment for Support Services/Management Fees to which the parties have agreed is \$482,783.

j) Customer Satisfaction Center ("CSC")

The Company proposed to recover costs associated with its CSC at their actual level. In the Commission's Order in Cause No. 42520, the Commission disallowed the Company's proposed Alton national call center costs, having found that its decision to participate in a national call center was imprudent. Instead, the Commission authorized Petitioner to recover in rates costs based on the cost of operating the Richmond call center. Pursuant to the methodology used in the Commission's Order in Cause No. 42520, the Company attempted to update the costs that would have been incurred had the Company not moved to the national CSC but instead continued to operate its customer service center that had previously been located in Richmond, Indiana. Petitioner submitted an analysis, which Petitioner contended demonstrated that the Company's share of the costs of operating the national CSC in Pensacola and Alton is

actually less than what would have been the Company's cost of operating the call center in Richmond . The OUCC disputed Petitioner's analysis and computed its own update of Richmond costs, which the OUCC contended were \$973,895 less than Petitioner's pro forma costs associated with the national CSC. For purposes of stipulation, the parties have agreed to include in the revenue requirement the calculation presented by the OUCC of the updated Richmond costs. For purposes of future cases, see Paragraph 3 herein.

k) Insurance Other Than Group

The OUCC proposed an adjustment to reduce general liability insurance by \$59,263 to reflect 2006 rates. In its rebuttal, Petitioner accepted the OUCC's proposed adjustment. For purposes of settlement, the parties have agreed to the OUCC's adjustment.

l) Customer Accounting

The Company proposed an adjustment of \$132,695 based upon an anticipated increase in postage rates. The OUCC agreed to an adjustment for postage rates but calculated it based upon more recent and more accurate information concerning the increase. The OUCC's proposed adjustment was \$126,519. In addition, the OUCC proposed an adjustment to uncollectible expense based upon the additional revenues to be produced by the Company's rate increase. In its rebuttal, the Company accepted the OUCC's position. For purposes of settlement, the parties have agreed to the OUCC's adjustment.

m) Miscellaneous and General Office Non-Allowed Expenses

The OUCC proposed to disallow certain elements of miscellaneous and general office expense which the OUCC contended were image building or unrelated to the provision of utility service. In total, these amounted to \$153,926. In its rebuttal the Company accepted \$39,477 of the disallowance but opposed the remainder of the OUCC's adjustment. The Company disagreed with the OUCC's description of the expenses that remained in dispute. For purposes of settlement, the parties have agreed to the OUCC's position.

n) Vehicle Leases

The Company proposed an adjustment of \$624,116 associated with a decision to lease rather than own its fleet of vehicles. The OUCC did not object to the decision to lease but proposed an adjustment of \$407,880 based upon using an average lower lease rate. In its rebuttal, the Company opposed the OUCC's reduction and included the actual lease rental rate for each vehicle that will be leased. This information had been included in the Company's workpapers submitted in accordance with the MSFRs. For purposes of settlement, the parties have agreed to the Company's rebuttal position.

o) Property Tax Appeals and Legal Expenses, Trustee Fees, and CWIP writeoff

The Company proposed to recover its test year level of expense associated with legal fees and property tax appeals. The OUCC reduced some of these items as non-recurring and capitalized others. The OUCC also proposed to eliminate certain

Accenture and trustee fees paid during the test year that covered greater than a 12-month period. In addition, the OUCC proposed to eliminate as nonrecurring the write-off of construction work in progress ("CWIP") during the test year. In its rebuttal, the Company accepted the OUCC's position on Accenture/trustee fees and CWIP write-off but opposed the OUCC's methodology and position on property tax appeals and legal expenses. For purposes of settlement, the parties have agreed to amortize the test-year expense for property tax appeals over a three year period and the test year expenses for legal expenses over a two year period.

p) Maintenance Expense

The Company proposed an adjustment of \$345,383 associated with non-routine maintenance planned during the twelve months following the close of the test-year. The OUCC opposed this adjustment. The OUCC also proposed an adjustment to eliminate an additional non-recurring write-off of CWIP during the test year. In its rebuttal, the Company accepted the adjustment to eliminate the write-off of CWIP but continued to support its adjustment. For purposes of settlement, the parties have agreed to the OUCC's position on this issue.

q) CIAC Amortization

The OUCC proposed to amortize CIAC as an offset to depreciation expense. In its rebuttal, the Company opposed the OUCC's position. For purposes of settlement, the parties have agreed to the Company's rebuttal position.

r) IURC Fee

The parties disagreed on the calculation of the IURC fee. The OUCC used 0.1062098% and the Company used 0.1315%. For purposes of settlement, the parties have agreed to use the OUCC's percentage applied to the pro forma revenues at the settled rates.

s) Utility Receipts Tax

The OUCC differed in its calculation of Utility Receipts Tax in that the OUCC excluded sale-for-resale customers. In its rebuttal, the Company accepted the OUCC's position. For purposes of settlement, the parties have agreed to use the OUCC's method for calculating Utility Receipts Tax.

t) State Income Tax (Parent Company Interest)

For purposes of computing State Income Tax, the OUCC proposed to allocate parent company interest to Petitioner. The Company opposed this adjustment. For purposes of settlement, the parties have agreed to the Company's position stated in its rebuttal.

u) Tax Normalized Depreciation

In its rebuttal, the Company disputed the OUCC's calculation of federal income tax on the basis of a disagreement with the OUCC's calculation of tax normalized depreciation. The Company's rebuttal position was that tax normalized depreciation is calculated by determining the rate base that is subject to depreciation for income tax purposes which is then multiplied by the Company's approved composite depreciation accrual rates.

For purposes of settlement, the parties have agreed to the Company's calculation of tax normalized depreciation as stated in its rebuttal.

v) ECIS (rate base)

Petitioner contended that ECIS should be included in rate base at Petitioner's allocated share, or \$6.47 million. The OUCC contended that ECIS should only be included in rate base at the level included in Cause No. 42520, or \$659,378. However, in its testimony, the OUCC proposed two alternative calculations in the event the Commission believed that the rate base should be set at a higher level than was approved in Cause No. 42520. One of the alternatives would include ECIS at a level of \$1.696 million and the second would include ECIS in rate base at a level of \$3.034 million. In its rebuttal, Petitioner continued to support the inclusion of the full level of ECIS. For purposes of settlement, the parties have agreed to include ECIS in rate base at the level of the OUCC's second alternative, or \$3.034 million. (For purposes of future cases, see Paragraph 3 herein.)

This adjustment affects both the Company's authorized dollar return and its depreciation expense. The OUCC's testimonial position included only the level of rate base approved in the last case. However, the OUCC's depreciation expense for the ECIS upgrade was inadvertently based on a rate base calculation of \$6.47 million for the ECIS upgrade. (While the OUCC reduced the proposed rate base on this item from the Company's proposed \$6.47 million for purposes of computing a return on the investment, the OUCC had not included a corresponding decrease in depreciation expense.) Therefore, when ECIS is included in rate base at the agreed upon level of

\$3.034 million for purposes of both a return on and return of (depreciation expense), the revenue requirement for the ECIS upgrade is actually lower than that presented in the OUCC's case.

w) Southern Indiana Operation and Treatment Center Pumping Capacity (rate base)

In Cause No. 42520, the Commission found that one high service pump at the Southern Indiana Operation and Treatment Center ("SIOTC") constitutes excess capacity and ruled that additional information would be needed before it could find otherwise. In this case, Petitioner submitted additional information and contended that there should no longer be any disallowance for excess capacity. The OUCC opposed Petitioner's position and contended that there continues to be one high service pump more than needed at the SIOTC. In its rebuttal, Petitioner continued to support its original position. For purposes of settlement, the parties have agreed to the OUCC's proposed rate base reduction in this case, which is equivalent to the removal of one high service pump.

x) Kokomo Settlement (rate base)

During the test year Petitioner settled litigation with PPG Industries related to contamination of Petitioner's wellfield. Petitioner recorded a portion of the settlement as CIAC, deducted income tax expense and recorded the balance as below-the-line-income. The OUCC proposed to include the full settlement proceeds as CIAC. In its rebuttal, Petitioner opposed the OUCC's treatment. The Company explained that there was income tax expense associated with the settlement that should be reflected as an offset and that shareholders were assuming significant risks associated with the

settlement. For purposes of settlement, the parties have agreed that the Company should record as CIAC 50% of the additional amount requested by the OUCC, or \$2,286,892.

y) SIOTC Administrative Offices (rate base)

The OUCC proposed to remove from rate base the cost of a statue on display in the administrative offices at the SIOTC. In addition, the OUCC proposed to remove \$500,000 from rate base associated with the second story of the SIOTC. In its rebuttal, the Company accepted the removal from rate base of the statue but opposed the disallowance associated with the second story. For purposes of settlement, the parties have agreed to the Company's rebuttal position.

z) Greenwood Office Furniture (rate base)

The OUCC proposed to remove from rate base certain furniture that the OUCC could not locate during its audit of the Greenwood Office. In its rebuttal, the Company agreed to the OUCC's proposed adjustment. For purposes of settlement, the parties have accepted the OUCC's position.

aa) Capital Structure

The OUCC proposed to update Petitioner's capital structure so as to include new debt to be issued as a result of the order in Cause No. 43256 and to write off the unamortized issuance costs associated with three debt issues that had previously been retired prematurely. In its rebuttal, the Company did not oppose the use of the lower interest rate associated with the new debt issuance but did oppose the write-off of the

unamortized issuance costs. For purposes of settlement, the parties have agreed in concept to the Company's rebuttal position.

bb) Cost of Equity

The Company contended that its cost of equity is 11.2-11.7%, and it used 11.5% for purposes of computing its weighted cost of capital. The OUCC contended that the cost of equity is 8.75%. The only other party presenting cost of equity testimony offered a cost of equity of 9.7%. For purposes of settlement, the parties have agreed to a cost of common equity of 10.0%. While not agreeing that this methodology is necessarily appropriate for all cases, the parties note that the average of the recommended cost of equity of the three witnesses is 9.98%. The parties stipulate and agree that a cost of equity of 10.0% is both reasonable and within the range of the evidence that has been submitted.

3. Effect of Stipulation In Future Rate Cases

As a part of this Stipulation and Settlement Agreement and for purposes of Petitioner's next general rate case and thereafter, the parties stipulate and agree to the following terms and conditions:

- a) The OUCC stipulates and agrees that it will not contend that Petitioner's revenue requirements associated with the Alton/Pensacola CSC should be based upon, imputed from, derived from or limited by the costs that were previously incurred at the now retired customer service center that was located in Richmond,

Indiana. Subject to the foregoing, the OUCC reserves the right to contend that any expense associated with the Alton/Pensacola CSC should be disallowed.

- b) Petitioner stipulates and agrees that all revenues derived from sewer billing services, and farm rental and antennae lease rental shall be reflected as above-the-line utility operating revenues. Petitioner further stipulates and agrees that for purposes of the next general rate case, the revenues from sewer billing services, farm rental and antenna lease rental will not be less than \$870,550 annually and will be reflected above-the-line. This amount is 75% of the test year amount, and this stipulation is offered to provide the OUCC assurance that Petitioner will continue to provide these services. The Company further agrees that it will not take action to discourage recipients of this service from continuing to purchase this service.
- c) The parties stipulate and agree that ECIS shall be included in Petitioner's rate base at the level of \$3.034 million, subject to depreciation. In any future case, neither the OUCC nor the Company shall assert that another rate base level should be used.
- d) As part of its submission of workpapers in future cases as required by the MSFRs, Petitioner will include additional detail related to its proposed pro forma level of Support Services/Management Fees by including total charges incurred by each corporate department during the test year, as well as the portion of those charges allocated to Indiana-American Water and the allocation method(s) used.

In addition, Petitioner will include the number of employees at the end of the test year in each of the corporate departments.

Other than as stated in this paragraph, both parties reserve the right to take positions in future cases that may be inconsistent with the revenue requirements, cost of capital, and rate base set forth in this Stipulation and Settlement Agreement.

4. Purchase Power Tracker

The Company proposed as part of its case-in-chief to implement a purchased power tracking mechanism to recover its purchased power and gas expenses. The OUCC opposed this request. In its rebuttal, Petitioner continued to support its request for such a tracking mechanism. For purposes of settlement, Petitioner stipulates and agrees to withdraw without prejudice its request for implementation of a purchased power tracker.

5. Water Conservation

The OUCC requested that Petitioner initiate a formal water conservation program by first developing a water conservation plan using methods supported by the American Water Works Association and/or the United States Environmental Protection Agency. The OUCC requested that Petitioner initiate the plan by December 31, 2007, and complete it by December 31, 2009, with a copy to be submitted to the Commission and the OUCC. In its rebuttal, Petitioner agreed that conservation is very important but that to impose requirements in this regard in the shortened time frame of a rate case was inappropriate. For purposes of settlement, Petitioner stipulates and agrees to develop a long range water conservation plan to identify, plan and implement effective, goal-

oriented water conservation strategies and measures, including both supply-side and demand-side options. Petitioner agrees to be guided by methods supported by the American Water Works Association and/or the United States Environmental Protection Agency and to file its plan for approval with the Commission in a docketed proceeding within 18 months of the issuance of a Commission Order approving this Stipulation and Settlement Agreement. The plan will consider and address basic planning concepts recommended by the United States Environmental Protection Agency and/or the American Water Works Association which were identified in Mr. Bell's testimony, such as:

1. Specify Conservation Planning Goals
 2. Develop a Water System Profile
 3. Prepare a Demand Forecast
 4. Describe Planned Facilities
 5. Identify Water Conservation Measures
 6. Analyze Benefits and Costs
 7. Select Conservation Measures
 8. Integrate Resources and Modify Forecasts
 9. Present Implementation and Evaluation Strategy
- (USEPA Water Conservation Plan Guidelines, Table 2-2: Contents of a Comprehensive Water Conservation Plan, p. 41)

and/or

1. Review detailed demand forecast
 2. Review existing water system profile and descriptions of planned facilities
 3. Evaluate the effectiveness of existing conservation measures
 4. Define conservation potential
 5. Identify conservation measures
 6. Determine feasible measures
 7. Perform benefit-cost evaluations
 8. Select and package conservation measures
 9. Combine overall estimated savings
 10. Optimize demand forecasts
- (AWWA M52 Manual, Water Conservation Programs – A Planning Manual, p. 4)

6. Request for Prompt Approval by the Commission.

The parties acknowledge that a significant motivation for the Company to enter into the Settlement is the expectation that an order will be issued promptly by the Commission authorizing increases in its rates and charges. The parties encourage the Commission to review the Stipulation and Settlement Agreement and endeavor to issue an order approving it as soon as possible. If there are no objections to this Stipulation and Settlement Agreement from other parties, the Company encourages the Commission to issue an order by October 1, 2007.

7. Stipulation Effect, Scope and Approval.

The parties acknowledge and agree as follows:

The Stipulation is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without any change or condition that is unacceptable to any party. Each term of the Stipulation is in consideration and support of each and every other term.

The Stipulation is the result of compromise in the settlement process and neither the making of the Stipulation nor any of its provisions shall constitute an admission or waiver by any party in any other proceeding, now or in the future. The Stipulation shall not be used as precedent in any other current or future proceeding or for any other purpose except to the extent provided for herein or to the extent necessary to implement or enforce its terms.

The evidence to be submitted in support of the Stipulation constitutes substantial evidence sufficient to support the Stipulation and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Stipulation.

The communications and discussions and materials produced and exchanged during the negotiation of the Stipulation relate to offers of settlement and shall be privileged and confidential.

The undersigned represent and agreed that they are fully authorized to execute the Stipulation on behalf of the designated party who will be bound thereby.

The parties will either support or not oppose on rehearing, reconsideration and/or appeal, an IURC Order accepting and approving this Stipulation in accordance with its terms.

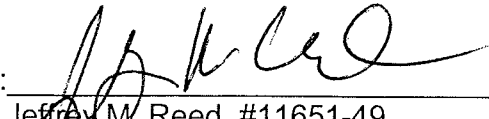
ACCEPTED and AGREED this 31st day of July, 2007.

Respectfully submitted,

Indiana-American Water Company, Inc.

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Indiana Office of Utility Consumer
Counselor

By: 
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served by hand delivery or by First Class United States Mail, postage prepaid, upon the following, this 31st day of July, 2007.

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Nicholas K. Kile

INDIANA AMERICAN WATER COMPANY
ACTUAL AND PRO FORMA STATEMENT OF OPERATING INCOME
FOR THE TWELVE MONTH PERIOD ENDING JUNE 30, 2006

Line No.	Description	Actual Per Books	Pro Forma Adjustments Increases (Decreases)	Ref	Pro Forma Results Based on Current Rates	Pro Forma Adjustments Increases (Decreases)	Ref	Pro Forma Results Based on Proposed Rates
	A	B	C	D	E	F	G	H
1	Revenue:							
2	Water Revenue Adjustment:	\$ 136,892,020			\$ 141,709,264	\$ 14,029,219		\$ 155,738,483
3	Bill Analysis Reconciliation		\$ (16,321)	A01			A01	
4	Unbilled Revenue Adjustment		3,757,006	A02			A02	
5	Number of Days Adjustment		(1,566,296)	A03			A03	
6	DSIC Normalization		1,766,029	A04			A04	
7	Residential Customer Growth Normalization		915,057	A05			A05	
8	Commercial Customer Growth Normalization		(38,231)	A06			A06	
9	Total Water Revenue:	\$ 136,892,020	\$ 4,817,244		\$ 141,709,264	\$ 14,029,219		\$ 155,738,483
10	Miscellaneous Revenue Adjustment:	\$ 330,392			\$ 1,491,125	\$ -		\$ 1,491,125
11	Farm Lease Rental moved above the line		\$ 13,798	A07			A07	
12	Tank Antenna Rental moved above the line		202,613	A08			A08	
13	Sewer Billing Fees moved above the line		944,322	A09			A09	
14	Total Miscellaneous Revenue:	\$ 330,392	\$ 1,160,733		\$ 1,491,125	\$ -		\$ 1,491,125
15	Total Revenue:	\$ 137,222,412	\$ 5,977,977		\$ 143,200,389	\$ 14,029,219		\$ 157,229,608
16	Operations and Maintenance Expense:							
17	Labor:	\$ 11,915,051			\$ 13,537,604	\$ -		\$ 13,537,604
18	Annualize Labor Expense		\$ 1,531,526	A10			A10	
19	4% Non Union Pay Increase in April 2007		194,637	A11			A11	
20	Incentive Pay Adjustment		30,758	A12			A12	
21	Misclassified Labor Expense		(134,368)	A13			A13	
22	Total Labor Expense:	\$ 11,915,051	\$ 1,622,553		\$ 13,537,604	\$ -		\$ 13,537,604
23	Purchased Water:	\$ 615,800			\$ 715,300	\$ -		\$ 715,300
24	Purchased Water Adjustment:		\$ 99,500	A14			A14	
25	Total Purchased Water Expense:	\$ 615,800	\$ 99,500		\$ 715,300	\$ -		\$ 715,300
26	Purchased Power:	\$ 5,268,575			\$ 5,294,477	\$ -		\$ 5,294,477
27	Elimination of one time adjustments to Corporate		\$ (91,367)	A15			A15	
28	Adjustment for planned power increases		93,986	A16			A16	
27	Adjustment by OUCC for New Residential Usage		23,283	A17			A17	
28	Total Purchased Power Expense:	\$ 5,268,575	\$ 25,902		\$ 5,294,477	\$ -		\$ 5,294,477
29	Chemical Expense:	\$ 1,289,807			\$ 1,641,946	\$ -		\$ 1,641,946
30	Adjustment to annualize 2006 bid prices		\$ 194,478	A18			A18	
31	Adjustment to annualize 2007 bid prices		150,310	A19			A19	
32	Adjustment by OUCC for New Residential Usage		7,351	A20			A20	
33	Total Chemical Expense:	\$ 1,289,807	\$ 352,139		\$ 1,641,946	\$ -		\$ 1,641,946
34	Waste Disposal:	\$ 1,242,718			\$ 1,084,579	\$ -		\$ 1,084,579
35	Waste Disposal Adjustment:		\$ (158,139)	A21			A21	
36	Total Waste Disposal Expense:	\$ 1,242,718	\$ (158,139)		\$ 1,084,579	\$ -		\$ 1,084,579
37	Support Services (Management Fees):	\$ 15,327,484			\$ 14,521,660	\$ -		\$ 14,521,660
38	Other Known One-time Costs		\$ (390,586)	A22			A22	
39	Service Company Cost Not Allowed		(13,020)	A23			A23	
40	FICA Tax Adjustment Related to Wage Increases		26,931	A24			A24	
41	Labor Related Rate Increases		352,042	A25			A25	
42	Service Company Additional Ongoing Costs		482,783	A26			A26	
43	Eliminate SOX Compliance Costs from test year		(290,079)	A27			A27	
44	Eliminate CSC Costs and Estimate Richmond CC		(973,895)	A28			A28	
45	Total Support Services Expense:	\$ 15,327,484	\$ (805,824)		\$ 14,521,660	\$ -		\$ 14,521,660
46	Group Insurance:	\$ 4,062,751			\$ 4,827,244	\$ -		\$ 4,827,244
47	Adjustment of Group Insurance Expense		\$ 892,702	A29			A29	
48	Adjustment for FAS 106 Expense		(128,209)	A30			A30	
49	Total Group Insurance Expense:	\$ 4,062,751	\$ 764,493		\$ 4,827,244	\$ -		\$ 4,827,244
50	Pension Expense:	\$ 2,613,411			\$ 2,371,171	\$ -		\$ 2,371,171
51	Pension Expense Adjustment:		\$ (242,240)	A31			A31	
52	Total Pension Expense:	\$ 2,613,411	\$ (242,240)		\$ 2,371,171	\$ -		\$ 2,371,171
53	Regulatory Expense	\$ 350,570			\$ 450,447	\$ -		\$ 450,447
54	Regulatory Expense Adjustment:		\$ 99,877	A32			A32	
55	Total Regulatory Expense:	\$ 350,570	\$ 99,877		\$ 450,447	\$ -		\$ 450,447
56	Insurance Other Than Group:	\$ 1,590,166			\$ 1,511,674	\$ -		\$ 1,511,674
57	Adjust General Liability Insurance to 2006 Rates		\$ (86,484)	A33			A33	
58	Adjust Worker's Comp Insurance to 2006 Rates		31,879	A34			A34	
59	Adjust All Risk& Pers. Prop. Insurance to 2006 Rates		(23,887)	A35			A35	
60	Total Insurance Other Than Group Expense Adjustments:	\$ 1,590,166	\$ (78,492)		\$ 1,511,674	\$ -		\$ 1,511,674
61	Customer Accounting Expense:	\$ 4,608,102			\$ 3,990,653	\$ 177,666		\$ 4,168,319
62	Adjustment for Uncollectibles		\$ (759,269)	A36			A36	
63	Adjustment for Postage and Mailing Expense		126,519	A37			A37	
64	Adjustment by OUCC for New Residential Usage		15,301	A38			A38	
65	Total Insurance Other Than Group Expense Adjustments:	\$ 4,608,102	\$ (617,449)		\$ 3,990,653	\$ 177,666		\$ 4,168,319
66	Rent Expense	\$ 356,588			\$ 394,088	\$ -		\$ 394,088

INDIANA AMERICAN WATER COMPANY
ACTUAL AND PRO FORMA STATEMENT OF OPERATING INCOME
FOR THE TWELVE MONTH PERIOD ENDING JUNE 30, 2006

Line No.	Description	Actual Per Books	Pro Forma Adjustments Increases (Decreases)	Ref	Pro Forma Results Based on Current Rates	Pro Forma Adjustments Increases (Decreases)	Ref	Pro Forma Results Based on Proposed Rates
	A	B	C	D	E	F	G	H
67	Rent Expense Adjustment:		\$ 37,500	A39			A39	
68	Total Rent Expense:	\$ 356,588	\$ 37,500		\$ 394,088	\$ -		\$ 394,088
69	General Office Expense:	\$ 2,406,317			\$ 1,149,570	\$ -		\$ 1,149,570
70	Write off of STEP costs		\$ (1,346,980)	A40			A40	
71	Eliminate Reversal of a Relocation Expense Accrual		104,640	A41			A41	
72	Eliminate non-allowed Costs		(14,407)	A42			A42	
73	Total General Office Expense Adjustments:	\$ 2,406,317	\$ (1,256,747)		\$ 1,149,570	\$ -		\$ 1,149,570
74	Miscellaneous Expense:	\$ 5,587,562			\$ 6,009,376	\$ -		\$ 6,009,376
75	Adjustment for 401(k) Expense		\$ 71,742	A43			A43	
76	Adjustment for Security Expense		66,183	A44			A44	
77	Adjustment Auto Insurance at 2006 Rates		19,892	A45			A45	
78	Adjustment for Vehicles Leased Prior to June 30, 2007		624,115	A46			A46	
79	Elimination of Non-Allowed Expenses		(139,519)	A47			A47	
80	Elimination of Non-Recurring Fees for Property Tax Appeals		(44,347)	A48			A48	
81	Eliminate Excess Test Year Accenture Fees		(25,012)	A49			A49	
82	Eliminate Excess Test Year Trustee Fees		(12,822)	A50			A50	
83	Eliminate Non-Recurring Writeoff off CWIP		(71,959)	A51			A51	
84	Eliminate Legal Fees that should be Capitalized		(66,459)	A52			A52	
85	Total Miscellaneous Expense Adjustments:	\$ 5,587,562	\$ 421,814		\$ 6,009,376	\$ -		\$ 6,009,376
86	Maintenance Expense:	\$ 7,187,186			\$ 3,190,850	\$ -		\$ 3,190,850
87	Elimination of Net Negative Salvage		(3,951,474)	A64			A64	
88	Eliminate Non-Recurring Writeoff off CWIP		(44,862)	A65			A65	
89	Total Maintenance Expense Adjustments:	\$ 7,187,186	\$ (3,996,336)		\$ 3,190,850	\$ -		\$ 3,190,850
90	Total Operations and Maintenance Expense:	\$ 64,422,088	\$ (3,731,449)		\$ 60,690,639	\$ 177,666		\$ 60,868,305
91	Depreciation Expense	\$ 19,810,106			\$ 25,505,589	\$ -		\$ 25,505,589
92	Adjust per Depreciation Study		\$ 6,191,502	A66			A66	
93	Depreciation on Artwork		(3,484)	A67			A67	
94	Depreciation on Southern Indiana Pumps		(24,409)	A68			A68	
95	Depreciation on Southern Indiana Second Floor		-	A69			A69	
96	Depreciation on Furniture and Fixtures		(1,851)	A70			A70	
97	Depreciation on ECIS difference		(466,275)	A71			A71	
98	Total Depreciation Expense Adjustments:	\$ 19,810,106	\$ 5,695,483		\$ 25,505,589	\$ -		\$ 25,505,589
99	Amortization Expense	\$ 260,920			\$ 422,736	\$ -		\$ 422,736
100	Reclass of Limited Term Plant Amortization		\$ (4,920)	A72			A72	
101	Reclass of Regulatory Asset		69,360	A73			A73	
102	Post In-Service AFUDC Amortization		11,780	A74			A74	
103	Reclass & Adjustment of Deferred Depreciation		85,596	A75			A75	
104	Amortization of CIAC		-	A76			A76	
105	Total Amortization Expense Adjustments:	\$ 260,920	\$ 161,816		\$ 422,736	\$ -		\$ 422,736
106	General Tax Expense	\$ 17,736,114			\$ 17,271,284	\$ -		\$ 17,470,661
107	Adjustment of Payroll Taxes		\$ 125,160	A77			A77	
108	Adjustment for Safe Drinking Water Act		17,472	A78			A78	
109	Adjustment of IURC Fee - Present Rates		(1,208)	A79		14,718	A79	
110	Adjustment of Gross Receipts Tax - Present Rates		610	A80		184,659	A80	
111	Adjustment of Property Tax		(606,864)	A81			A81	
112	Total General Tax Expense Adjustments:	\$ 17,736,114	\$ (464,830)		\$ 17,271,284	\$ 199,377		\$ 17,470,661
113	State Income Taxes	\$ 1,536,145			\$ 2,448,117	\$ 1,176,126		\$ 3,624,243
114	State Income Tax Adjustment		\$ 911,972	A82			A82	\$ -
115	Total State Income Taxes:	\$ 1,536,145	\$ 911,972		\$ 2,448,117	\$ 1,176,126		\$ 3,624,243
116	Federal Income Taxes	\$ 6,039,432			\$ 8,100,417	\$ 4,431,255		\$ 12,531,672
117	Federal Income Tax Adjustment		\$ 2,060,985	A83			A83	
118	Total Federal Income Taxes:	\$ 6,039,432	\$ 2,060,985		\$ 8,100,417	\$ 4,431,255		\$ 12,531,672
119	Total Depreciation, Amortization, and Taxes:	\$ 45,382,717	\$ 8,365,426		\$ 53,748,143	\$ 5,806,758		\$ 59,554,901
120	Total Operating Expenses:	\$ 109,804,805	\$ 4,633,977		\$ 114,438,782	\$ 5,984,424		\$ 120,423,206
121	Utility Operating Income:	\$ 27,417,607	\$ 1,344,000		\$ 28,761,607	\$ 8,044,795		\$ 36,806,402

INDIANA AMERICAN WATER COMPANY
CALCULATION OF PROPOSED REVENUE INCREASE
BASED ON PRO FORMA OPERATING RESULTS
ORIGINAL COST RATE BASE AS OF DECEMBER 31, 2006

Revenue Increase Based on Net Original Cost Rate Base

1	Net Original Cost Rate Base	\$ 492,423,945
2	Rate of Return	7.29%
3	Net Operating Income Required for Return on Original Cost Rate Base	<u>\$ 35,897,706</u>
4	Add: Fair Value Increment	908,696
5	Net Operating Income Required for Fair Value Increment	<u>36,806,402</u>
6	Less: Pro Forma Net Operating Income Based on Current Rates	28,761,607
7	Increase in Net Operating Income Required	<u>8,044,795</u>
8	Add: Utility Receipts Tax on Increased Income	184,659
9	Total Increase in Net Operating Income Required	<u>8,229,454</u>
10	Gross Revenue Conversion Factor	<u>170.4757%</u>
11	Increase in Revenue Requirement (Based on Net Original Cost Rate Base)	<u>\$ 14,029,219</u>
12	Percentage Increase in Operating Revenue	<u>9.90%</u>
13	Gross revenue Change	100.0000%
14	Less: Bad Debt Rate/ Uncollectible Expense	<u>1.2664%</u>
15	Total Before Gross Income and IURC Fees	<u>98.7336%</u>
16	Less: IURC Fee (2006 - 2007 rate 0.1062098%)	0.1049%
17	Income Before State Income taxes	<u>98.6287%</u>
18	Less: State Income Tax Rate @ 8.5%	8.3834%
19	Income before Federal income Taxes	<u>90.2453%</u>
20	Less: Federal income Tax @ 35%	<u>31.5859%</u>
21	Income after Income Taxes	<u>58.6594%</u>
22	Gross Revenue Conversion Factor	<u>170.4757%</u>

INDIANA AMERICAN WATER COMPANY
STATEMENT OF UTILITY PLANT
ORIGINAL COST RATE BASE AS OF DECEMBER 31, 2006

Line No.	Description	Plant Per Books at Dec. 31, 2006	Pro Forma Adjustments	As Adjusted Pro Forma Rate Base at Dec. 31, 2006	Rebuttal & Stipulated Adjustments	As Adjusted Pro Forma Rate Base at Dec. 31, 2006
	A	B	C	D	E	F
1	Utility Plant:					
2	Plant in service	\$ 851,252,680	\$ 7,246,569	\$ 858,499,248	\$ (3,420,678)	\$ 855,078,570
3	Capitalized tank painting	440,565	-	440,565	-	440,565
4	Deferred depreciation	2,394,137	-	2,394,137	-	2,394,137
5	Post-in-service AFUDC	4,280,607	-	4,280,607	-	4,280,607
		<u>\$ 858,367,988</u>	<u>\$ 7,246,569</u>	<u>\$ 865,614,557</u>	<u>\$ (3,420,678)</u>	<u>\$ 862,193,879</u>
6	Accumulated Depreciation:					
7	Plant in service	\$ 226,403,105	\$ 599,177	\$ 227,002,282	\$ (385,592)	\$ 226,616,690
8	Plant in service - amortization	29,565	-	29,565	-	29,565
9	Capitalized tank painting	337,812	-	337,812	-	337,812
10	Deferred depreciation	876,315	-	876,315	-	876,315
11	Post-in-service AFUDC	1,442,445	-	1,442,445	-	1,442,445
		<u>\$ 229,089,243</u>	<u>\$ 599,177</u>	<u>\$ 229,688,420</u>	<u>\$ (385,592)</u>	<u>\$ 229,302,828</u>
12	NET UTILITY PLANT	<u>\$ 629,278,745</u>	<u>\$ 6,647,392</u>	<u>\$ 635,926,137</u>	<u>\$ (3,035,086)</u>	<u>\$ 632,891,051</u>
13	Deduct:					
14	Contributions in aid of construction	\$ 71,846,981	\$ -	\$ 71,846,981	\$ 2,286,892	\$ 74,133,873
15	Customer advances for construction	68,082,427	-	68,082,427	-	68,082,427
16	Capacity Adjustment - Somerset	-	-	-	143,462	143,462
17		<u>\$ 139,929,408</u>	<u>\$ -</u>	<u>\$ 139,929,408</u>	<u>\$ 2,430,354</u>	<u>\$ 142,359,762</u>
18	Add:					
19	Acquisition Adjustment (net)	\$ 752,711	\$ -	\$ 752,711	\$ -	\$ 752,711
20	Materials and supplies (13 Month Average)	1,139,945	-	1,139,945	-	1,139,945
21		<u>\$ 1,892,656</u>	<u>\$ -</u>	<u>\$ 1,892,656</u>	<u>\$ -</u>	<u>\$ 1,892,656</u>
22	ORIGINAL COST RATE BASE	<u>\$ 491,241,993</u>	<u>\$ 6,647,392</u>	<u>\$ 497,889,385</u>	<u>\$ (5,465,440)</u>	<u>\$ 492,423,945</u>

INDIANA AMERICAN WATER COMPANY
CAPITAL STRUCTURE AND COST OF CAPITAL
TWELVE MONTHS ENDING DECEMBER 31, 2006

Line No.	Class of Capital	Amount @ 12/31/06	% of Total	(%) Cost	Weighted Cost
1	Long-term debt	\$ 249,784,131	48.3568%	6.77%	3.27%
2	Deferred income taxes	56,099,136	10.8605%	0.00%	0.00%
3	Accum. depreciation on contributed utility plant for Muncie Sewer	52,244	0.0101%	0.00%	0.00%
4	Post Retirement Benefits, net	2,351,577	0.4553%	0.00%	0.00%
5	Accumulated deferred investment tax credits - Pre 1971	81,597	0.0158%	0.00%	0.00%
6	Job development investment tax credits (JDITC) - Post 1970	2,199,350	0.4258%	8.22%	0.04%
7	Preferred stock	330,000	0.0639%	6.00%	0.00%
8	Common equity	<u>205,645,731</u>	<u>39.8119%</u>	10.00%	<u>3.98%</u>
9	Total capitalization	<u><u>\$ 516,543,766</u></u>	<u><u>100.00%</u></u>		<u><u>7.29%</u></u>
<u>Investor Provided Capital</u>					
10	Long-term debt	\$ 249,784,131	54.8061%	6.77%	3.7100%
11	Preferred stock	330,000	0.0724%	6.00%	0.0000%
12	Common equity	<u>205,645,731</u>	<u>45.1215%</u>	10.00%	<u>4.5100%</u>
13	Total Investor Supplied Capital	<u><u>\$ 455,759,862</u></u>	<u><u>100.00%</u></u>		<u><u>8.22%</u></u>
<u>Interest Synchronization</u>					
14	Long-term debt	\$ 249,784,131	48.5636%	6.77%	3.29%
15	Deferred income taxes	56,099,136	10.9069%	0.00%	
16	Accum. depreciation on contributed utility plant for Muncie Sewer	52,244	0.0102%	0.00%	
17	Post Retirement Benefits, net	2,351,577	0.4572%	0.00%	
18	Accumulated deferred investment tax credits - Pre 1971	81,597	0.0159%	0.00%	
19	Preferred stock	330,000	0.0642%	6.00%	
20	Common equity	<u>205,645,731</u>	<u>39.9821%</u>	10.00%	
21	Total interest cost for Interest Synchronization	<u><u>\$ 514,344,416</u></u>	<u><u>100.0001%</u></u>		<u><u>3.29%</u></u>

INDIANA AMERICAN WATER COMPANY
SETTLEMENT SCHEDULE OF PRO FORMA ADJUSTMENTS

Line No.	Description	AS ORIGINALLY FILED	Ref	OUC	Ref	REBUTTAL FILED	Ref	SETTLEMENT	Ref
		Pro Forma Adjustments Increases (Decreases)		Pro Forma Adjustments Increases (Decreases)		Pro Forma Adjustments Increases (Decreases)		Pro Forma Adjustments Increases (Decreases)	
	A	B	C	D	E	F	G	H	
1	Revenue:								
2	Water Revenue Adjustment:								
3	Bill Analysis Reconciliation	\$ (16,321)	A01	\$ (16,321)	\$ (16,321)	A01	\$ (16,321)	A01	
4	Unbilled Revenue Adjustment	3,757,006	A02	3,757,006	3,757,006	A02	3,757,006	A02	
5	Number of Days Adjustment	(1,566,296)	A03	(1,566,296)	(1,566,296)	A03	(1,566,296)	A03	
6	DSIC Normalization	1,766,029	A04	1,766,029	1,766,029	A04	1,766,029	A04	
7	Residential Customer Growth Normalization	813,652	A05	915,057	813,652	A05	915,057	A05	
8	Commercial Customer Growth Normalization	(38,231)	A06	(38,231)	(38,231)	A06	(38,231)	A06	
9	Total Water Revenue Adjustments:	\$ 4,715,839		\$ 4,817,244	\$ 4,715,839		\$ 4,817,244		
10	Miscellaneous Revenue Adjustment:								
11	Farm Lease Rental moved above the line	\$ -	A07	\$ 13,798	\$ -	A07	\$ 13,798	A07	
12	Tank Antenna Rental moved above the line	-	A08	202,613	-	A08	202,613	A08	
13	Sewer Billing Fees moved above the line	-	A09	944,322	-	A09	944,322	A09	
14	Total Miscellaneous Revenue Adjustments:	\$ -		\$ 1,160,733	\$ -		\$ 1,160,733		
15	Total Revenue Adjustment:	\$ 4,715,839		\$ 5,977,977	\$ 4,715,839		\$ 5,977,977		
16	Operations and Maintenance Expense:								
17	Labor:								
18	Annualize Labor Expense	\$ 1,653,887	A10	\$ 1,040,754	\$ 1,531,526	A10	\$ 1,531,526	A10	
19	4% Non Union Pay Increase in April 2007	194,637	A11	194,637	194,637	A11	194,637	A11	
20	Incentive Pay Adjustment	112,210	A12	30,758	54,894	A12	30,758	A12	
21	Misclassified Labor Expense	-	A13	(164,394)	(134,368)	A13	(134,368)	A13	
22	Total Labor Expense Adjustments:	\$ 1,960,734		\$ 1,101,755	\$ 1,646,689		\$ 1,622,553		
23	Purchased Water:								
24	Purchased Water Adjustment:	\$ 110,000	A14	\$ 99,500	\$ 99,500	A14	\$ 99,500	A14	
25	Purchased Power:								
26	Elimination of one time adjustments to Corporate	\$ (91,367)	A15	\$ (91,367)	\$ (91,367)	A15	\$ (91,367)	A15	
27	Adjustment for planned power increases	167,820	A16	-	(167,820)	A16	93,986	A16	
28	Adjustment by OUC for New Residential Usage	-	A17	23,283	-	A17	23,283	A17	
29	Total Purchased Power Adjustments:	\$ 76,453		\$ (68,084)	\$ (259,187)		\$ 25,902		
30	Chemical Expense:								
31	Adjustment to annualize 2006 bid prices	\$ 194,478	A18	\$ 194,478	\$ 194,478	A18	\$ 194,478	A18	
32	Adjustment to annualize 2007 bid prices	150,310	A19	150,310	150,310	A19	150,310	A19	
33	Adjustment by OUC for New Residential Usage	-	A20	7,351	-	A20	7,351	A20	
34	Total Chemical Expense Adjustments:	\$ 344,788		\$ 352,139	\$ 344,788		\$ 352,139		
35	Waste Disposal:								
36	Waste Disposal Adjustment:	\$ -	A21	\$ (158,139)	\$ (158,139)	A21	\$ (158,139)	A21	
37	Support Services (Management Fees):								
38	Other Known One-time Costs	\$ (390,586)	A22	\$ (390,586)	\$ (390,586)	A22	\$ (390,586)	A22	
39	Service Company Cost Not Allowed	(13,020)	A23	(13,020)	(13,020)	A23	(13,020)	A23	
40	FICA Tax Adjustment Related to Wage Increases	26,931	A24	26,931	26,931	A24	26,931	A24	
41	Labor Related Rate Increases	352,042	A25	352,042	352,042	A25	352,042	A25	
42	Service Company Additional Ongoing Costs	871,113	A26	94,453	871,113	A26	482,783	A26	
43	Eliminate SOX Compliance Costs from test year	-	A27	(290,079)	(290,079)	A27	(290,079)	A27	
44	Eliminate CSC Costs and Estimate Richmond CC	-	A28	(973,895)	-	A28	(973,895)	A28	
45	Total Support Services Expense Adjustments:	\$ 846,480		\$ (1,194,154)	\$ 556,401		\$ (805,824)		
46	Group Insurance:								
47	Adjustment of Group Insurance Expense	\$ 1,017,127	A29	\$ 562,046	\$ 892,702	A29	\$ 892,702	A29	
48	Adjustment for FAS 106 Expense	(128,209)	A30	(128,209)	(128,209)	A30	(128,209)	A30	
49	Total Group Insurance Expense Adjustments:	\$ 888,918		\$ 433,837	\$ 764,493		\$ 764,493		
50	Pension Expense:								
51	Pension Expense Adjustment:	\$ (242,240)	A31	\$ (242,240)	\$ (242,240)	A31	\$ (242,240)	A31	
52	Regulatory Expense								
53	Regulatory Expense Adjustment:	\$ 99,877	A32	\$ 99,877	\$ 99,877	A32	\$ 99,877	A32	
54	Insurance Other Than Group:								
55	Adjust General Liability Insurance to 2006 Rates	\$ (27,221)	A33	\$ (86,484)	\$ (86,484)	A33	\$ (86,484)	A33	
56	Adjust Worker's Comp Insurance to 2006 Rates	31,879	A34	31,879	31,879	A34	31,879	A34	
57	Adjust All Risk& Pers. Prop. Insurance to 2006 Rates	(23,887)	A35	(23,887)	(23,887)	A35	(23,887)	A35	
58	Total Insurance Other Than Group Expense Adjustments:	\$ (19,229)		\$ (78,492)	\$ (78,492)		\$ (78,492)		
59	Customer Accounting Expense:								
60	Adjustment for Uncollectibles	\$ (815,493)	A36	\$ (759,269)	\$ (759,269)	A36	\$ (759,269)	A36	
61	Adjustment for Postage and Mailing Expense	132,695	A37	126,519	126,519	A37	126,519	A37	
62	Adjustment by OUC for New Residential Usage	-	A38	15,301	-	A38	15,301	A38	
63	Total Insurance Other Than Group Expense Adjustments:	\$ (682,798)		\$ (617,449)	\$ (632,750)		\$ (617,449)		
64	Rent Expense								
65	Rent Expense Adjustment:	\$ 37,500	A39	\$ 37,500	\$ 37,500	A39	\$ 37,500	A39	
66	General Office Expense:								
67	Write off of STEP costs	\$ (1,346,980)	A40	\$ (1,346,980)	\$ (1,346,980)	A40	\$ (1,346,980)	A40	
68	Eliminate Reversal of a Relocation Expense Accrual	104,640	A41	104,640	104,640	A41	104,640	A41	

INDIANA AMERICAN WATER COMPANY
SETTLEMENT SCHEDULE OF PRO FORMA ADJUSTMENTS

Line No.	Description	AS ORIGINALLY FILED	Ref	OUCS FILED	Ref	REBUTTAL FILED	Ref	SETTLEMENT	Ref
		Pro Forma Adjustments Increases (Decreases)		Pro Forma Adjustments Increases (Decreases)		Pro Forma Adjustments Increases (Decreases)		Pro Forma Adjustments Increases (Decreases)	
	A	B	C	D	E	F	G	H	
69	Eliminate non-allowed Costs	-	A42	(14,407)		(14,407)	A42	(14,407)	A42
70	Total General Office Expense Adjustments:	\$ (1,242,340)		\$ (1,256,747)		\$ (1,256,747)		\$ (1,256,747)	
71	Miscellaneous Expense:								
72	Adjustment for 401(k) Expense	\$ 75,753	A43	\$ 33,189		\$ 71,742	A43	\$ 71,742	A43
73	Adjustment for Security Expense	66,183	A44	66,183		66,183	A44	66,183	A44
74	Adjustment Auto Insurance at 2006 Rates	19,892	A45	19,892		19,892	A45	19,892	A45
75	Adjustment for Vehicles Leased Prior to June 30, 2007	624,115	A46	407,800		624,115	A46	624,115	A46
76	Elimination of Non-Allowed Expenses	-	A47	(139,519)		(25,070)	A47	(139,519)	A47
77	Elimination of Non-Recurring Fees for Property Tax Appeals	-	A48	(133,042)		-	A48	(44,347)	A48
78	Eliminate Excess Test Year Accenture Fees	-	A49	(25,012)		(25,012)	A49	(25,012)	A49
79	Eliminate Excess Test Year Trustee Fees	-	A50	(12,822)		(12,822)	A50	(12,822)	A50
80	Eliminate Non-Recurring Writeoff off CWIP	-	A51	(71,959)		(71,959)	A51	(71,959)	A51
81	Eliminate Legal Fees that should be Capitalized	-	A52	(132,917)		-	A52	(66,459)	A52
82	Total Miscellaneous Expense Adjustments:	\$ 785,943		\$ 11,793		\$ 647,069		\$ 421,814	
83	Maintenance Expense:								
84	Well Cleaning and Maintenance	\$ 70,721	A53	\$ -		\$ 70,721	A53	\$ -	A53
85	Residual Management	36,277	A54	-		36,277	A54	-	A54
86	Cleaning and Painting of RSI Filters	-	A55	-		-	A55	-	A55
87	Marking Parking Lot Maintenance	-	A56	-		-	A56	-	A56
88	Major Roof Repairs	500	A57	-		500	A57	-	A57
89	Valve Maintenance and Repairs	4,505	A58	-		4,505	A58	-	A58
90	Generator/Switch Gear Maintenance	7,308	A59	-		7,308	A59	-	A59
91	Aerator Maintenance	1,057	A60	-		1,057	A60	-	A60
92	Chemical Feed System Maintenance	14,129	A61	-		14,129	A61	-	A61
93	Easement Maintenance	-	A62	-		-	A62	-	A62
94	Other	210,886	A63	-		210,886	A63	-	A63
95	Elimination of Net Negative Salvage	(3,951,474)	A64	(3,951,474)		(3,951,474)	A64	(3,951,474)	A64
96	Eliminate Non-Recurring Writeoff off CWIP	-	A65	(44,862)		(44,862)	A65	(44,862)	A65
97	Total Maintenance Expense Adjustments:	\$ (3,606,091)		\$ (3,996,336)		\$ (3,650,953)		\$ (3,996,336)	
98	Total Operations and Maintenance Expense:	\$ (642,005)		\$ (5,475,240)		\$ (2,082,191)		\$ (3,731,449)	
99	Depreciation Expense								
100	Adjust per Depreciation Study	\$ 6,191,502	A66	\$ 6,191,502		\$ 6,191,502	A66	\$ 6,191,502	A66
101	Depreciation on Artwork	-	A67	(3,484)		(3,484)	A67	(3,484)	A67
102	Depreciation on Southern Indiana Pumps	-	A68	(24,409)		-	A68	(24,409)	A68
103	Depreciation on Southern Indiana Second Floor	-	A69	(15,500)		-	A69	-	A69
104	Depreciation on Furniture and Fixtures	-	A70	(1,851)		(1,851)	A70	(1,851)	A70
105	Depreciation on ECIS difference	-	A71	-		-	A71	(466,275)	A71
106	Total Depreciation Expense Adjustments:	\$ 6,191,502		\$ 6,146,258		\$ 6,186,167		\$ 5,695,483	
107	Amortization Expense								
108	Reclass of Limited Term Plant Amortization	\$ (4,920)	A72	\$ (4,920)		\$ (4,920)	A72	\$ (4,920)	A72
109	Reclass of Regulatory Asset	69,360	A73	69,360		69,360	A73	69,360	A73
110	Post In-Service AFUDC Amortization	11,780	A74	11,780		11,780	A74	11,780	A74
111	Reclass & Adjustment of Deferred Depreciation	85,596	A75	85,596		85,596	A75	85,596	A75
112	Amortization of CIAC	-	A76	(1,339,075)		-	A76	-	A76
113	Total Amortization Expense Adjustments:	\$ 161,816		\$ (1,177,259)		\$ 161,816		\$ 161,816	
114	General Tax Expense								
115	Adjustment of Payroll Taxes	\$ 135,864	A77	\$ 82,239		\$ 125,160	A77	\$ 125,160	A77
116	Adjustment for Safe Drinking Water Act	17,473	A78	17,472		17,473	A78	17,472	A78
117	Adjustment of IURC Fee - Present Rates	57,342	A79	2,605		31,645	A79	(1,208)	A79
118	Adjustment of Gross Receipts Tax - Present Rates	(26,302)	A80	(12,648)		(12,648)	A80	610	A80
119	Adjustment of Property Tax	(606,864)	A81	(606,864)		(606,864)	A81	(606,864)	A81
120	Total General Tax Expense Adjustments:	\$ (422,487)		\$ (517,196)		\$ (445,234)		\$ (464,830)	
121	State Income Taxes								
122	State Income Tax Adjustment	\$ 516,686	A82	\$ 913,410		\$ 516,686	A82	\$ 911,972	A82
123	Federal Income Taxes								
124	Federal Income Tax Adjustment	\$ 636,519	A83	\$ 2,071,043		\$ 636,519	A83	\$ 2,060,985	A83
125	Total Depreciation, Amortization, and Taxes:	\$ 7,084,036		\$ 7,436,256		\$ 7,055,954		\$ 8,365,426	
126	Total Operating Expenses:	\$ 6,442,031		\$ 1,961,016		\$ 4,973,763		\$ 4,633,977	
127	Utility Operating Income:	\$ (1,726,192)		\$ 4,016,961		\$ (257,924)		\$ 1,344,000	

INDIANA AMERICAN WATER COMPANY
SCHEDULE OF COMPANY AND OUCC ADJUSTMENTS TO TEST YEAR RATE CASE
AS WELL AS FINAL ADJUSTMENT TO POSITION

Description	Company	OUCC	Difference	Final Adjustment	Difference From Original Adj.
A	B	C	D	E	F
Revenue:					
Water Revenue Adjustment:					
Bill Analysis Reconciliation	\$ (16,321)	\$ (16,321)	\$ -	\$ (16,321)	\$ -
Unbilled Revenue Adjustment	3,757,006	3,757,006	-	3,757,006	-
Number of Days Adjustment	(1,566,296)	(1,566,296)	-	(1,566,296)	-
DSIC Normalization	1,766,029	1,766,029	-	1,766,029	-
Residential Customer Growth Normalization	813,652	915,057	101,405	915,057	101,405
Commercial Customer Growth Normalization	(38,231)	(38,231)	-	(38,231)	-
Total Water Revenue Adjustments:	\$ 4,715,839	\$ 4,817,244	\$ 101,405	\$ 4,817,244	\$ 101,405
Miscellaneous Revenue Adjustment:					
Farm Lease Rental moved above the line	\$ -	\$ 13,798	\$ 13,798	\$ 13,798	\$ 13,798
Tank Antenna Rental moved above the line	-	202,613	202,613	202,613	202,613
Sewer Billing Fees moved above the line	-	944,322	944,322	944,322	944,322
Total Miscellaneous Revenue Adjustments:	\$ -	\$ 1,160,733	\$ 1,160,733	\$ 1,160,733	\$ 1,160,733
Total Revenue Adjustment:	\$ 4,715,839	\$ 5,977,977	\$ 1,262,138	\$ 5,977,977	\$ 1,262,138
Operations and Maintenance Expense:					
Labor:					
Annualize Labor Expense	\$ 1,653,887	\$ 1,040,754	\$ (613,133)	\$ 1,531,526	\$ (122,361)
4% Non Union Pay Increase in April 2007	194,637	194,637	-	194,637	-
Incentive Pay Adjustment	112,210	30,758	(81,452)	30,758	(81,452)
Misclassified Labor Expense	-	(164,394)	(164,394)	(134,368)	(134,368)
Total Labor Expense Adjustments:	\$ 1,960,734	\$ 1,101,755	\$ (858,979)	\$ 1,622,553	\$ (338,181)
Purchased Water:					
Purchased Water Adjustment:	\$ 110,000	\$ 99,500	\$ (10,500)	\$ 99,500	\$ (10,500)
Purchased Power:					
Elimination of one time adjustments to Corporate	\$ (91,367)	\$ (91,367)	\$ -	\$ (91,367)	\$ -
Adjustment for planned power increases	167,820	-	(167,820)	93,986	(73,834)
Adjustment by OUCC for New Residential Usage	-	23,283	23,283	23,283	23,283
Total Purchased Power Adjustments:	\$ 76,453	\$ (68,084)	\$ (144,537)	\$ 25,902	\$ (50,551)
Chemical Expense:					
Adjustment to annualize 2006 bid prices	\$ 194,478	\$ 194,478	\$ -	\$ 194,478	\$ -
Adjustment to annualize 2007 bid prices	150,310	150,310	-	150,310	-
Adjustment by OUCC for New Residential Usage	-	7,351	7,351	7,351	7,351
Total Chemical Expense Adjustments:	\$ 344,788	\$ 352,139	\$ 7,351	\$ 352,139	\$ 7,351
Waste Disposal:					
Waste Disposal Adjustment:	\$ -	\$ (158,139)	\$ (158,139)	\$ (158,139)	\$ (158,139)
Support Services (Management Fees):					
Other Known One-time Costs	\$ (390,586)	\$ (390,586)	\$ -	\$ (390,586)	\$ -
Service Company Cost Not Allowed	(13,020)	(13,020)	-	(13,020)	-
FICA Tax Adjustment Related to Wage Increases	26,931	26,931	-	26,931	-
Labor Related Rate Increases	352,042	352,042	-	352,042	-
Service Company Additional Ongoing Costs	871,113	94,453	(776,660)	482,783	(388,330)
Eliminate SOX Compliance Costs from test year	-	(290,079)	(290,079)	(290,079)	(290,079)
Eliminate CSC Costs and Estimate Richmond CC	-	(973,895)	(973,895)	(973,895)	(973,895)
Total Support Services Expense Adjustments:	\$ 846,480	\$ (1,194,154)	\$ (2,040,634)	\$ (805,824)	\$ (1,652,304)
Group Insurance:					
Adjustment of Group Insurance Expense	\$ 1,017,127	\$ 562,046	\$ (455,081)	\$ 892,702	\$ (124,425)
Adjustment for FAS 106 Expense	(128,209)	(128,209)	-	(128,209)	-
Total Group Insurance Expense Adjustments:	\$ 888,918	\$ 433,837	\$ (455,081)	\$ 764,493	\$ (124,425)
Pension Expense:					
Pension Expense Adjustment:	\$ (242,240)	\$ (242,240)	\$ -	\$ (242,240)	\$ -
Regulatory Expense					
Regulatory Expense Adjustment:	\$ 99,877	\$ 99,877	\$ -	\$ 99,877	\$ -
Insurance Other Than Group:					

INDIANA AMERICAN WATER COMPANY
SCHEDULE OF COMPANY AND OUCC ADJUSTMENTS TO TEST YEAR RATE CASE
AS WELL AS FINAL ADJUSTMENT TO POSITION

Description	Company	OUCC	Difference	Final Adjustment	Difference From Original Adj.
Adjust General Liability Insurance to 2006 Rates	\$ (27,221)	\$ (86,484)	\$ (59,263)	\$ (86,484)	\$ (59,263)
Adjust Worker's Comp Insurance to 2006 Rates	31,879	31,879	-	31,879	-
Adjust All Risk & Pers. Prop. Insurance to 2006 Rates	(23,887)	(23,887)	-	(23,887)	-
Total Insurance Other Than Group Expense Adjustments:	\$ (19,229)	\$ (78,492)	\$ (59,263)	\$ (78,492)	\$ (59,263)
Customer Accounting Expense:					
Adjustment for Uncollectibles	\$ (815,493)	\$ (759,269)	\$ 56,224	\$ (759,269)	\$ 56,224
Adjustment for Postage and Mailing Expense	132,695	126,519	(6,176)	126,519	(6,176)
Adjustment by OUCC for New Residential Usage	-	15,301	15,301	15,301	15,301
Total Insurance Other Than Group Expense Adjustments:	\$ (682,798)	\$ (617,449)	\$ 65,349	\$ (617,449)	\$ 65,349
Rent Expense					
Rent Expense Adjustment:	\$ 37,500	\$ 37,500	\$ -	\$ 37,500	\$ -
General Office Expense:					
Write off of STEP costs	\$ (1,346,980)	\$ (1,346,980)	\$ -	\$ (1,346,980)	\$ -
Eliminate Reversal of a Relocation Expense Accrual	104,640	104,640	-	104,640	-
Eliminate non-allowed Costs	-	(14,407)	(14,407)	(14,407)	(14,407)
Total General Office Expense Adjustments:	\$ (1,242,340)	\$ (1,256,747)	\$ (14,407)	\$ (1,256,747)	\$ (14,407)
Miscellaneous Expense:					
Adjustment for 401(k) Expense	\$ 75,753	\$ 33,189	\$ (42,564)	\$ 71,742	\$ (4,011)
Adjustment for Security Expense	66,183	66,183	-	66,183	-
Adjustment Auto Insurance at 2006 Rates	19,892	19,892	-	19,892	-
Adjustment for Vehicles Leased Prior to June 30, 2007	624,115	407,800	(216,315)	624,115	-
Elimination of Non-Allowed Expenses	-	(139,519)	(139,519)	(139,519)	(139,519)
Elimination of Non-Recurring Fees for Property Tax Appeals	-	(133,042)	(133,042)	(44,347)	(44,347)
Eliminate Excess Test Year Accenture Fees	-	(25,012)	(25,012)	(25,012)	(25,012)
Eliminate Excess Test Year Trustee Fees	-	(12,822)	(12,822)	(12,822)	(12,822)
Eliminate Non-Recurring Writeoff off CWIP	-	(71,959)	(71,959)	(71,959)	(71,959)
Eliminate Legal Fees that should be Capitalized	-	(132,917)	(132,917)	(66,459)	(66,459)
Total Miscellaneous Expense Adjustments:	\$ 785,943	\$ 11,793	\$ (774,150)	\$ 421,814	\$ (364,129)
Maintenance Expense:					
Well Cleaning and Maintenance	\$ 70,721	\$ -	\$ (70,721)	\$ -	\$ (70,721)
Residual Management	36,277	-	(36,277)	-	(36,277)
Cleaning and Painting of RSI Filters	-	-	-	-	-
Marking Parking Lot Maintenance	-	-	-	-	-
Major Roof Repairs	500	-	(500)	-	(500)
Valve Maintenance and Repairs	4,505	-	(4,505)	-	(4,505)
Generator/Switch Gear Maintenance	7,308	-	(7,308)	-	(7,308)
Aerator Maintenance	1,057	-	(1,057)	-	(1,057)
Chemical Feed System Maintenance	14,129	-	(14,129)	-	(14,129)
Easement Maintenance	-	-	-	-	-
Other	210,886	-	(210,886)	-	(210,886)
Elimination of Net Negative Salvage	(3,951,474)	(3,951,474)	-	(3,951,474)	-
Eliminate Non-Recurring Writeoff off CWIP	-	(44,862)	(44,862)	(44,862)	(44,862)
Total Maintenance Expense Adjustments:	\$ (3,606,091)	\$ (3,996,336)	\$ (390,245)	\$ (3,996,336)	\$ (390,245)
Total Operations and Maintenance Expense:	\$ (642,005)	\$ (5,475,240)	\$ (4,833,235)	\$ (3,731,449)	\$ (3,089,444)
Depreciation Expense					
Adjust per Depreciation Study	\$ 6,191,502	\$ 6,191,502	\$ -	\$ 6,191,502	\$ -
Depreciation on Artwork	-	(3,484)	(3,484)	(3,484)	(3,484)
Depreciation on Southern Indiana Pumps	-	(24,409)	(24,409)	(24,409)	(24,409)
Depreciation on Southern Indiana Second Floor	-	(15,500)	(15,500)	-	-
Depreciation on Furniture and Fixtures	-	(1,851)	(1,851)	(1,851)	(1,851)
Depreciation on ECIS difference	-	-	-	(466,275)	(466,275)
Total Depreciation Expense Adjustments:	\$ 6,191,502	\$ 6,146,258	\$ (45,244)	\$ 5,695,483	\$ (496,019)
Amortization Expense					
Reclass of Limited Term Plant Amortization	\$ (4,920)	\$ (4,920)	\$ -	\$ (4,920)	\$ -
Reclass of Regulatory Asset	69,360	69,360	-	69,360	-
Post In-Service AFUDC Amortization	11,780	11,780	-	11,780	-
Reclass & Adjustment of Deferred Depreciation	85,596	85,596	-	85,596	-
Amortization of CIAC	-	(1,339,075)	(1,339,075)	-	-
Total Amortization Expense Adjustments:	\$ 161,816	\$ (1,177,259)	\$ (1,339,075)	\$ 161,816	\$ -

INDIANA AMERICAN WATER COMPANY
SCHEDULE OF COMPANY AND OUCC ADJUSTMENTS TO TEST YEAR RATE CASE
AS WELL AS FINAL ADJUSTMENT TO POSITION

Description	Company	OUCC	Difference	Final Adjustment	Difference From Original Adj.
<u>General Tax Expense</u>					
Adjustment of Payroll Taxes	\$ 135,864	\$ 82,239	\$ (53,625)	\$ 125,160	\$ (10,704)
Adjustment for Safe Drinking Water Act	17,473	17,472	(1)	17,472	(1)
Adjustment of IURC Fee - Present Rates	57,342	2,605	(54,737)	(1,208)	(58,550)
Adjustment of Gross Receipts Tax - Present Rates	(26,302)	(12,648)	13,654	610	26,912
Adjustment of Property Tax	(606,864)	(606,864)	-	(606,864)	-
Total General Tax Expense Adjustments:	<u>\$ (422,487)</u>	<u>\$ (517,196)</u>	<u>\$ (94,709)</u>	<u>\$ (464,830)</u>	<u>\$ (42,343)</u>
<u>State Income Taxes</u>					
State Income Tax Adjustment	<u>\$ 516,686</u>	<u>\$ 913,410</u>	<u>\$ 396,724</u>	<u>\$ 911,972</u>	<u>\$ 395,286</u>
<u>Federal Income Taxes</u>					
Federal Income Tax Adjustment	<u>\$ 636,519</u>	<u>\$ 2,071,043</u>	<u>\$ 1,434,524</u>	<u>\$ 2,060,985</u>	<u>\$ 1,424,466</u>
Total Depreciation, Amortization, and Taxes:	<u>\$ 7,084,036</u>	<u>\$ 7,436,256</u>	<u>\$ 352,220</u>	<u>\$ 8,365,426</u>	<u>\$ 1,281,390</u>
Total Operating Expenses:	<u>\$ 6,442,031</u>	<u>\$ 1,961,016</u>	<u>\$ (4,481,015)</u>	<u>\$ 4,633,977</u>	<u>\$ (1,808,054)</u>
Utility Operating Income:	<u>\$ (1,726,192)</u>	<u>\$ 4,016,961</u>	<u>\$ 5,743,153</u>	<u>\$ 1,344,000</u>	<u>\$ 3,070,192</u>